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Industrial Development Board

Twenty-third session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 14 November 2000, at 3 p.m.

President: Mr. ORTIZ (Spain)

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The meeting was called to order at 3.45 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said that the Bureau had decided to recommend that the Board should follow its previous practice and hold informal in-session consultations to facilitate the drafting of consensus decisions. The Bureau had also recommended that Mr. F. Urruela Prado (Guatemala) and Mr. M. Nobilo (Croatia), in their capacity as Vice-Presidents, should chair the consultation meetings.

2. **Mr. FREEMAN** (United Kingdom) said he took it that the consultations would not deal with any subject not yet discussed in the plenary.

3. **The PRESIDENT** said that that was understood. If he heard no objection, he would take it that the Board accepted the recommendations of the Bureau.

4. *It was so decided.*

INTEGRATED PROGRAMMES (*continued*)
(IDB.23/18; IDB.23/CRP.5)

5. **Mr. CHULKOV** (Russian Federation) said that the number of integrated programmes being implemented was truly impressive, and he welcomed the Director-General's announcement that UNIDO would concentrate its future efforts on such programmes. It was essential to mobilize all possible financial resources, because vital needs must be met. UNIDO should try to ensure that business and financial institutions viewed the Organization as a reliable partner.

6. UNIDO should produce a clear plan of action, with priority being given to mobilization of resources. The Organization must be ready to use unorthodox and creative approaches, with maximum diversification. There was great potential for attracting assistance from the private sector, international financing institutions, non-governmental organizations and other organizations of the United Nations system. It might be useful to set up a contact unit to deal with such matters within the Secretariat, without any increase in staff.

7. He did not share the view that the scale of the integrated programmes might deter private-sector donors. The integrated nature of the programmes was a positive element, since donors could choose from a whole range of components those that matched their own priorities. The Russian experience showed that in the absence of sufficient resources for a given programme it was best to focus on the most promising components and implement the programme in stages.

8. His delegation supported the approach taken in General Conference resolution GC.8/Res.6 on "The region of Europe and the Newly Independent States". Countries with transitional economies were potential donors, and contributing to their development now would pay off handsomely for UNIDO and Member States in the future. Some countries with transitional economies were already acting as donors.

9. Resolution GC.8/Res.6 requested the Director-General, inter alia, "to take appropriate measures to assist the Balkan region in rehabilitation and development of its industrial structure". The hardest hit of the Balkan countries was the Federal Republic of Yugoslavia, where in the light of the changed situation the commencement of programme activity was now particularly important. Steps by UNIDO in that regard would be entirely in keeping with decisions already taken both at regional level and in the United Nations.

10. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the integrated programmes had not become the established technical cooperation model for UNIDO despite the care that had gone into their design and preparation. The purpose of the integrated programmes was to ensure greater rationalization in the use of resources and to obtain a greater impact. However, lack of funding hampered their satisfactory implementation and the effect had been felt in Latin America and the Caribbean. It was disturbing that some Member States were challenging the validity of the approach before there had been enough time to evaluate the impact of the integrated programmes. The Secretariat's unilateral decision to reduce the sums allocated to the programmes was surprising, since at meetings with the Secretariat it had been argued that only by joint decision with the Government concerned in each programme could the sums allocated be revised. The Latin American and Caribbean countries also considered that recipient countries should participate with the Secretariat and interested donors in the current evaluation of the integrated programmes. Lastly, they were dismayed that their region was given bottom priority in the integrated programmes. She hoped that that situation would be redressed as soon as possible.

11. **Mr. MOWOE** (Nigeria), speaking on behalf of the African Group, noted that UNIDO had developed 41 integrated programmes in 37 Member States. However, for lack of financial and human resources only 11 of those programmes had become operational.

12. Board decision IDB.22/Dec.2 had committed Member States to share responsibility for mobilizing financial resources with the Director-General. There had been an appreciable increase in funds mobilized for technical cooperation activities in 1999 as compared with the previous period, from $15.1 million to

$22.4 million. Under the trust fund mechanism contributions had increased from $6.5 million to $14.8 million, and approvals under the Montreal Protocol had increased from $24.5 million in 1998 to $31.9 million in 1999. Despite that positive trend, the Secretariat had decided to scale down the integrated programmes by about 24 per cent. Taking into account recipient country ownership of programmes, the African Group considered that only Governments could determine their priorities for technical assistance within available financial and human resources. UNIDO should therefore continue its efforts to implement the approved integrated programmes in consultation with the countries concerned.

13. **Mr. FREEMAN** (United Kingdom) said that, at the last session of the General Conference, the United Kingdom had announced an additional voluntary contribution of $1 million to UNIDO's integrated programmes in recognition of the Organization's significant progress with reform. The Organization had reacted positively to suggestions made by his Government and other Member States to look closely at the relevance and impact of its activities to international development targets, and had indicated its intention of sharpening the focus of its activities in protecting the environment and reducing poverty through the promotion of employment in the poorest countries. He welcomed the Director-General's announcement to the Programme and Budget Committee in September concerning UNIDO's re-examination of its contribution to the elimination of poverty.

14. To encourage UNIDO to continue to pursue its reforming path, the United Kingdom Government had decided to provide a further untied contribution of $2 million to UNIDO's integrated programmes in the current year.

15. **Mr. CIENIUCH** (Poland) said that an impressive number of integrated programmes had been prepared. Successfully implemented, they would contribute towards the development of export capacity, cleaner industrial production, efficient energy development, agro-industrial development and the promotion of local industries and small and medium-scale enterprises. They would encourage business and investment to enter the developing countries and those in transition and pave the way for those countries to join the globalizing world economy. However, there was a gap between the number of programmes and UNIDO's capacity to finance them. It was now proposed to scale down the number of programmes from 16 to 8. Poland was not in favour of that course of action, which would further downgrade UNIDO's position as a multilateral development agency and confirm the views of those who had questioned UNIDO's very *raison d'être*. Moreover, considerable scaling down had already taken place only three years before with the introduction of the Business Plan.

16. Rather than consider reducing the integrated programmes, his delegation would prefer ways to be found of mobilizing more funds, along the lines it had suggested at the previous session of the Board.

17. UNIDO must be flexible, and he agreed with the view that the integrated programmes should evolve in accordance with local situations, the changing national priorities of recipient countries and the prospects for financing. He also favoured a shared responsibility of donor and recipient countries for the mobilization of funds for implementing integrated programmes. Moreover, it would be advisable to introduce some methodological principles and better defined criteria as points of departure for reviewing the applications submitted.

18. **Mr. MOWOE** (Nigeria), speaking on behalf of his delegation, said that the successful implementation of the integrated programmes so far was the best indication of the benefits of UNIDO's reforms. However, UNIDO should not scale down the programmes unilaterally without prior discussion with the interested parties, in accordance with the consultations that had been carried out, and any scaling down should be suspended while the various countries' views were sought.

19. He agreed that in view of the very serious financial limitations there was a need to identify priorities to optimize allocation of programme funds; however, the consultations with partners on priorities and adjustments should continue.

20. Nigeria and UNIDO had completed the formulation of the integrated programme for Nigeria and approved the establishment of a Trust Fund to implement it. Nigeria welcomed UNIDO's intervention in the critical areas of its industrial development; it was once more on the path of economic growth and development, and was gradually reviving its defective infrastructure. It had established an interministerial implementing committee to raise funds and monitor the implementation of the programme. The Trust Fund would provide the basis for funding from the Nigerian stakeholders including the Federal Government and state governments. Nigeria therefore hoped for a favourable response to the Nigerian Country Service Framework Programme from appropriate donors in due course.

21. **Mr. HALHOUL** (Morocco) welcomed the Organization's efforts to implement the integrated programmes in accordance with the Business Plan. However, for lack of resources, the Organization had been able to implement only a few of the integrated

programmes proposed. In general, inadequacy of financial resources prevented UNIDO from achieving the aim of enabling the industrial sector to play its due role in the developing countries. Budgetary restrictions had obliged the Organization to reduce the sums allotted to implementation of the integrated programmes, without prior consultation with Member States. His delegation was concerned at the adverse effect of that decision on the Organization's image and on the recipient States. He considered that the integrated programmes should be flexible but that any change should be motivated by reasons of efficiency and not by lack of resources. Mobilization of the funds necessary to implement technical cooperation activities was a joint responsibility of the Organization and the recipient State concerned. Both parties should jointly explore all possible means of implementing integrated programmes, including the organization of round tables for donors.

22. Efficient implementation of the integrated programmes would be of benefit both to recipient countries and to UNIDO.

23. **Mr. HOSSEINI** (Islamic Republic of Iran) said that the development of a package of integrated services had been called for explicitly in the Business Plan on the Future Role and Functions of UNIDO, and identified as a major area of comparative advantage for the Organization. At present, integrated programmes represented the point of convergence between the Organization's administrative reform and programme reorientation as well as the major thrust of implementation of the Business Plan. Initially, the idea of integrated programmes had enjoyed the full support of Member States. Now, following numerous meetings and missions as well as considerable financial outlay, part of the package of programmes could not be implemented owing to a lack of resources—a situation which had seriously jeopardized the effectiveness of the package as a whole. Integrated programmes had been prepared for the Islamic Republic of Iran to meet its specific needs but a shortage of resources prevented their implementation. He supported the draft decision that had been circulated informally by the Group of 77 and China, but considered that further consultations between recipient countries, donors and the Secretariat were required before any future activities were agreed on.

24. **Mr. SRINIVASAN** (India) expressed his confidence in UNIDO as an effective multilateral mechanism. Although the process of globalization had not always been easy, its importance for the entire human race could not be denied, since it afforded the unique opportunity of sharing capital, technology and knowledge on a global scale, with a view to resolving the widespread problems of poverty and underdevelopment. UNIDO had an important role to play in closing the gap between developed and developing economies, which should lead to sound economic growth worldwide.

25. In that context UNIDO's integrated programmes represented an innovative approach which ensured commitment of the host country and other partners in the programme. They also served as a mechanism for mobilizing funds. The Organization needed, however, to step up its efforts with regard to funds mobilization. India actively supported the integrated approach, particularly for the least developed countries (LDCs), and had been looking into the possibility of implementing a number of projects for industrial capacity-building in the African region.

26. UNIDO's ability to play a catalytic role in the industrial development of countries with developing economies and economies in transition would depend to a considerable extent on its technical and financial capabilities. While a series of initiatives to strengthen its technical capabilities had been adopted, financial matters remained a major concern. UNIDO's financial position should be reviewed, especially the problem of delayed payments and arrears, which resulted in a peculiar situation of surplus funds at the end of the year with no automatic rollover. He hoped that a lasting and consensus-based solution to the problem of unutilized funds could be found. He urged defaulting Member States to pay their assessed contributions on time. India not only paid its contributions regularly, but also made substantial contributions to the Industrial Development Fund (IDF), which was proof of its strong support for the Organization and its activities. Given the important role played by UNIDO in the current rapidly changing economic climate, he stressed the need for donor countries to increase their contributions to the IDF so as to facilitate the timely and adequate funding of technical cooperation programmes.

27. **Mr. RAMÍREZ GASTON** (Peru) expressed concern about the integrated programmes, many of which, despite the effort put into their preparation by the Secretariat, could not be implemented owing to a shortage of resources. Although the programmes were supposed to be the focal point of the Organization's activities, the relevance of some was being called into question, although many of them had not had a chance to be properly assessed. The proposal for the unilateral reduction of programmes in value terms, without prior consultation with the countries involved, was not acceptable. He agreed that the programmes should be subject to regular review to keep pace with the changing needs of countries, but that should be done through dialogue between the Secretariat, recipient countries and potential donors. He endorsed the draft decision being circulated informally by the Group of 77 on the matter. He thanked the Secretariat for having organized

consultations on the subject to allow Member States to express their views.

28. **Mr. SUN Yongfu** (China), while welcoming the news of successful implementation of integrated programmes in the African region, expressed concern about the shortage of funds to cover the costs of the many integrated programmes that had been approved. The proposal to adjust the integrated programme budget to a more realistic level was acceptable, but Member States concerned must be duly consulted. Furthermore, in order to ensure the proper implementation of integrated programmes under way, the Secretariat, Member States and potential donors should pool efforts to mobilize the necessary resources. The limited resources available should be allocated to priority activities.

29. **Mr. EGLER** (Switzerland) thanked UNIDO for the preparation of selection criteria for integrated programmes and impact indicators, which would be useful tools for monitoring the Organization's activities, particularly in the field. Notwithstanding, over and above the integrated programme approach, greater cooperation among all actors involved was required, including intergovernmental organizations, bilateral donors and technical assistance providers, as well as closer links with the United Nations Development Assistance Framework (UNDAF). UNIDO should also strengthen its partnerships with the private sector.

30. **Mr. KAMOHARA** (Japan) drew attention to the External Auditor's remark to the effect that it might be worth considering strengthening the implementation of ongoing integrated programmes instead of binding manpower for the development of new ones. While acknowledging UNIDO's efforts to enlarge its donor base, he believed it would prove difficult to finance all integrated programmes in the short term. He therefore supported the Secretariat's efforts to classify the integrated programmes. It was to be hoped that, as a result, UNIDO would be able to implement the most feasible and effective projects, through consultations with recipient countries and potential donors.

31. Japan had contributed to the trust fund established to implement the 1997 Business Plan as well as to the implementation of technical assistance programmes for African countries and LDCs in other regions. One example was the Asia-Africa Investment and Technology Promotion Centre, whose mission was to promote commercial investment in Africa, in line with one of the pillars of the Plan of Action adopted at the Second Tokyo International Conference on African Development (TICAD II). The Centre's activities included missions of Asian entrepreneurs to African countries and the posting of information on investment opportunities on its web site.

32. **Mr. DE MIGUEL ALVAREZ** (Spain) said that initiatives by his country confirmed its support for UNIDO's reform and the integrated programmes. The Spanish Agency for International Cooperation had recently signed a framework agreement with the Organization for cooperation on development activities. In that connection, his Government was currently drawing up with the Secretariat a memorandum of understanding concerning the implementation of a project relating to women entrepreneurs in the agro-industry sector in Morocco. Spain's financial contribution to the project would amount to $1.3 million.

33. **Mr. NAIDUNOV** (Belarus) expressed support for the integrated programmes, which he regarded as the most successful aspect of UNIDO's reform, since they provided recipient countries with a more concrete package of technical cooperation services. It was important that countries should be able to define their economic development priorities themselves. Regarding the problems relating to the implementation of the integrated programmes, he acknowledged the Secretariat's efforts to mobilize funds, but more work needed to be done in that area. Alternative sources of funding must be sought. Cooperation with the private sector should be stepped up: the wide-ranging nature of integrated programmes should be an incentive for private-sector investors. Ways should also be sought of more fully exploiting the potential of donor countries and the multilateral financial agencies. Recipient States must play their part by contributing funds to the programmes. He shared the view that the decision to scale down programmes must be taken with the consent of the recipient countries concerned.

34. As the number of integrated programmes increased, the importance of individual projects should not be overlooked—for instance, as an alternative form of technical cooperation when the demand for integrated programmes exceeded the supply. Individual projects could, in time and with the incorporation of new elements, be transformed into integrated programmes. A case in point was the project under way in Belarus on the establishment of infrastructures to support new businesses, co-financed by UNIDO, the United Nations Development Programme (UNDP) and the Belarus Government. It had been devised as the first stage of an integrated programme, and given its successful start there was good reason to believe that it would be followed through.

35. He was in favour of a special approach to technical cooperation in countries with economies in transition and welcomed UNIDO's efforts along those lines in Europe and the newly independent States. Given the solid industrial potential of such States, such cooperation would in the long run be of benefit to the Organization as well as the States concerned. The

regional forum held in Budapest in October 2000 and missions by the Director-General had served to promote industrial cooperation and define strategies for further work with the region. He welcomed the Director-General's planned visit to Belarus, confident that it would also lead to mutually beneficial cooperation.

36. **Mr. ABU SHOUK** (Sudan) said he was confident that UNIDO would achieve its objectives under the able leadership of the Director-General. He supported the statements made on behalf of the African Group and the Group of 77 and China. Integrated programmes played a pivotal role in the Organization, but their implementation was being hindered owing to a lack of funds. He therefore appealed to Member States and donors to provide the necessary resources. The Sudan was in favour of the integrated approach, which it considered to be highly effective. He stressed the need for the completion of integrated programmes already under way; any possible scaling down should be subject to consultations with the countries concerned.

37. **Ms. BEN AMOR** (Tunisia) commended the Director-General and his staff for their efforts to focus on integrated programmes in African countries. Tunisia was satisfied with the results of its cooperation with UNIDO, and was most grateful for the help provided by Italy in that regard; similar assistance from other Member States would be most welcome. Also useful had been the recent launching of activities at the UNIDO office in Tunis, which it was hoped would strengthen existing cooperation.

38. **Mr. ZEWDIE** (Ethiopia) said that Ethiopia was one of the beneficiaries of integrated programmes. In that connection, thanks were due to its donor countries—80 per cent of the resources needed for the implementation of Ethiopia's integrated programme had already been secured. He appealed to other Member States for further contributions. He expressed concern about the Secretariat's proposal for the unilateral scaling down of some integrated programmes. While a need for adjustments to such programmes might well arise on account of changes in financial circumstances or in the national development strategies of recipient countries, they must be agreed with all parties concerned. Furthermore, reductions should not be applied across the board, but decided on a case-by-case basis, taking into account whether the country in question was particularly needy, for instance an LDC, or already had programmes that did not attract investment. He saw no reason to downscale the integrated programme for Ethiopia.

39. He would now make some remarks on agenda item 5 ("Field representation"). Despite the requests of Member States for the strengthening of field representation, in compliance with the Business Plan, progress was being hampered by a shortage of resources. He was concerned about the situation of his country, which had been selected as a possible location for a subregional office. The people of Ethiopia were ready to cooperate with UNIDO and would be very disappointed if there was any change of plan without their being consulted beforehand. Such decisions should be taken bearing in mind priorities, including the importance accorded to LDCs in the Business Plan. The proposed subregional office in Ethiopia would cover no less than six LDCs. Moreover, costs would be covered to some extent by the Organization of African Unity (OAU), the United Nations Economic Commission for Africa (ECA) and other agencies which would share the premises.

40. **Mr. SOUALEM** (Algeria) said that the integrated programmes were the result of consultation and a joint evaluation between recipient countries and UNIDO, and represented a new form of cooperation that focused on the real needs of recipient countries. Given the current budgetary constraints facing UNIDO, the Organization must seek new sources of funding from the private sector, non-governmental organizations (NGOs), multilateral bodies and banks. However, that did not detract from the responsibility of Member States vis-à-vis the Industrial Development Fund (IDF). He supported the position taken by the African Group and GRULAC regarding the proposed scaling down of integrated programmes. While adjustments might be made in consultation with recipient countries, any unilateral decision would certainly be a matter of concern. The Secretariat was therefore urged to seek alternative solutions.

41. **Ms. GARDEZI** (Pakistan) expressed concern about the gap between the expectations of Member States and the stark reality of the huge shortfall in funding for integrated programmes. She thanked the Secretariat for having prepared an integrated programme for Pakistan and requested it to step up efforts to mobilize resources so as to allow for its implementation.

42. **Mr. VINGNO** (Observer for the Philippines) said that his delegation had played an active role in consultations prior to the Board's current session on the proposal to scale down integrated programmes. He therefore fully understood the rationale behind it. Nonetheless, he considered that a decision on the matter should be deferred pending a proper assessment by Member States as to whether such adjustment was really necessary. Since such programmes had only been introduced a few years previously, there had not been sufficient time to test their effectiveness. The recipient countries should be consulted before any reductions were made. In the meantime, UNIDO's immediate task was to ensure the implementation of integrated programmes already under way through renewed and vigorous efforts to mobilize resources.

FIELD REPRESENTATION (IDB.23/10, IDB.23/18)

43. **Mr. TAKIZAWA** (Secretariat), introducing the item, said that the two documents before the Board reported on progress made at the recent consultations held by the Member States. He did, however, have additional information for the Board. The budgets for field offices for the current biennium had been increased by 27 per cent over those of the previous biennium. "Effective decentralization" had not been completed, firstly because the operational budget was lower than expected—some $73 million instead of the expected $110 million; secondly, because a "critical mass" of technical experts had to be kept at Headquarters, where the number of Professional staff in the two technical divisions had already been reduced from 123 to 106. It was difficult to maintain a balance between the requirements of field offices and those of Headquarters. Specialized agencies with a staff of two thousand to five thousand staff members could deal with decentralization more easily than UNIDO, which had only some 230 Professional and 220 General Service staff members at Headquarters and 25 Professional and 55 General Service staff members in the field.

44. During the recent consultations with Member States, many regional groups had expressed the view that UNIDO should not undertake any more restructuring or redeployment of staff to the field but should consolidate and stabilize its existing field structure and assess the effectiveness of its current field presence. Based on the consultations, the Secretariat understood that Member States wished to see a gradual approach to decentralization, which would mean consolidating the current field office network while aiming to strengthen one or two regional offices each year. Referring to paragraph 13 of document IDB.23/18, he said that the reference to funds slightly higher than those available during the period 2000-2001 did not mean that the Secretariat would seek additional resources for decentralization in the budget for 2002-2003. It expected to find such resources to strengthen the field office network through the projected modest increase in technical cooperation delivery and related operational budget income ($85 million in the year 2001, $90 million in 2002 and $95 million in 2003), by filling some of the vacant field posts by external recruitment, by redeploying staff and financial resources from Headquarters to the field, by making UNIDO's country offices part of the United Nations Resident Coordinator system, with complementary programming and sharing of premises, and through general efficiency savings.

45. It should perhaps be mentioned that, if all Member States paid their assessed contributions on time and in full, the amount made available would be sufficient to upgrade one Regional Office.

46. "Effective decentralization" did not simply involve increasing the number of staff and the amount of financial resources for field offices, but it involved making the field office network more effective and efficient as a part of the United Nations country network. Decentralization was intended as a means of delivering UNIDO services better, and it must be supported by a better management system, entailing strategic planning and guidance by Headquarters, efficient service delivery by field offices and a continuous assessment of performance of field officers by Headquarters.

47. The Secretariat was confident that the strategy could be put into effect and was already working to improve the regional programme management system so as to improve the overall performance of field offices and regional bureaux. An action plan for the next two to three years was being drafted and would be finalized by the end of the current year and submitted to Member States for their comments and approval.

48. **Mr. RAMÍREZ GASTON** (Peru), speaking on behalf of the Group of 77 and China, said that field representation and effective decentralization were of the utmost importance to the Organization. It was imperative to strengthen field representation by decentralizing functions and providing adequate financial resources to enhance activities at both country and regional levels. The Group of 77 and China had played an active part in the consultations held on the proposals for full decentralization and invited the Secretariat, in consultation with Member States, to carry out a careful evaluation of the current field representation system.

49. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, thanked the Secretariat and all Member States involved for the constructive spirit they had displayed during the many consultations recently held on the subject of field representation. From the document before the Board, the European Union noted that the transfer of resources and personnel and the delegation of authority envisaged in the budget adopted for the current biennium had not been fully implemented. It was aware of the difficulties UNIDO had encountered in that respect but wished to be given more details regarding the nature of the difficulties. It was also concerned to learn of the inadequate participation of host countries in financing local operating expenses of the offices set up in their capitals.

50. The European Union did not underestimate the difficulty of achieving effective decentralization. The objective would be to guarantee an increased and more effective presence in the field while at the same time keeping the necessary critical mass of technical expertise at Headquarters. Recent discussions had

shown that UNIDO did not at present have sufficient resources to envisage an ambitious programme for the creation of decentralized structures without jeopardizing its general structure. Realism and prudence must prevail. Improving UNIDO's effectiveness and impact in the field should be the determining factor in any decisions that the Board might take.

51. For the time being, the European Union wished to make a number of proposals: first of all, an objective evaluation of the current system of field representation and its contribution to the various programmes of the Organization should be carried out; secondly, UNIDO must be informed of the strengths and weaknesses of the decentralized structure and, for that purpose, an in-depth analysis of the means and skills to be retained at Headquarters should be carried out; thirdly, the impact of new technologies on the decisions made concerning UNIDO's structure, organization and methods of work should be taken into consideration in evaluating needs in the field; fourthly, the existing resources of other specialized agencies in the field should be taken into account so that coordination and the pooling of resources would enable optimum use to be made of limited funds.

52. The European Union intended to take an active part in studying the matter, especially with regard to an evaluation that would lead to agreed measures to bring about effective decentralization within the limits of existing resources. That might include an experimental phase which, if successful, could then be extended. The diversity of regional conditions called for a differentiated approach.

53. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of GRULAC, said that the Group recognized the need to strengthen field offices with a view to achieving improved implementation of technical cooperation programmes and better management of the offices. UNIDO should, however, proceed gradually to avoid adversely affecting the administrative capacity of Headquarters. Strengthening some offices which would be regularly evaluated so as to correct any problems that might arise in their operation might be a useful alternative. The success of the process should be measured by the effective implementation of technical cooperation programmes, especially the integrated programmes, and GRULAC appealed to donor countries to provide greater resources for the latter programmes, resources which might be directly managed by the field offices. It was only thus that decentralization and the strengthening of field offices could be successful.

54. **Mr. MOWOE** (Nigeria), speaking on behalf of the African Group, welcomed UNIDO's efforts to strengthen decentralization through the establishment of field offices. The Group urged UNIDO, however, to adopt a balanced approach towards decentralization and the staffing of field offices so as to maintain sufficient expertise at Headquarters and to take the costs involved into account. It encouraged UNIDO to coordinate the activities of the existing field offices closely when formulating and implementing integrated programmes. The best means of implementing the recommendation in the Business Plan was to strengthen field offices by giving them adequate financial and functional responsibility to carry out their work. Such action should not have a direct impact on Headquarters staff. UNIDO should give the staff stability so that they could work in favourable conditions. The African Group felt that the timing chosen for the planned Headquarters restructuring was perhaps not appropriate.

55. **Mr. SAHINBAS** (Turkey) said that his country fully supported UNIDO's decentralization policy. It believed it necessary for host countries to make cash contributions towards the costs of running field offices, and had provided the UNIDO Centre for Regional Cooperation (previously the UNIDO Office in Ankara) with $200,000 for the current year as a contribution towards its running costs. The Centre would implement technical assistance projects with a view to ensuring sustainable industrial development in the region.

56. As a country which supported the strengthening of UNIDO's field representation, he wished to request the Director-General to consider enhancing the work capacity of the Centre for Regional Cooperation in line with its growing potential for implementing regional projects. Since coming into operation in July 2000, the Centre had already given new momentum to the follow-up of ongoing projects, including some 15 Montreal Protocol projects, and initiated new ones with regional implications in accordance with its bilateral agreement with UNIDO.

57. **Mr. SHOUKRY** (Egypt) said that Egypt commended the Director-General's efforts to implement the many different projects in the field and supported the search for innovative solutions aimed at achieving a higher level of activities in the sphere of sustainable industrial development. It urged UNIDO to pursue its efforts in that direction. There was no reason why the Organization should not continue along its present path and give a broader mandate to field offices within available resources, taking into account the need for a balance between the work of the field offices and the work of the Secretariat at Headquarters so as to guarantee a sound level of implementation. Egypt was in favour of giving greater responsibility to the field offices and to multidisciplinary teams in the field as the principal means of achieving UNIDO's aims in the developing countries.

58. **Mr. LOSHCHININ** (Russian Federation) thanked the Director-General and the Secretariat for the in-depth consultations organized on the subject of

decentralization, which clearly showed how UNIDO could move ahead and what could be done to enhance its effectiveness. During the consultations, however, a number of issues which required more study had arisen, especially since UNIDO was now implementing its renewed programme of activities on the basis of a comprehensive package of services. Efforts should be focused on such a comprehensive package of services and on integrated programmes, and in that context he believed that UNIDO should be very careful in undertaking decentralization. He shared the views expressed by the European Union on that point. A careful balance must be established between Headquarters and the field. The field must not be strengthened at the expense of Headquarters; if the field was given too much autonomy, UNIDO would become less effective and less well managed.

59. In his introduction to the item, Mr. Takizawa had stressed the need to keep a balance between Headquarters and field requirements. UNIDO could not go as far as some other organizations in decentralization; it should move very carefully. With decentralization to the field, the Headquarters function of coordinating and monitoring would need to be strengthened. Each link in the chain between Headquarters and the field should be reinforced. Field representation should complement and not replace the work carried out by Headquarters, and the areas of responsibility must be carefully determined.

60. The Business Plan provided for various stages of decentralization: the redistribution of resources and staff from Headquarters to the field, the delegation of authority and the determination of key functions and responsibilities for the field offices. Before redeploying staff members and redistributing financial resources, UNIDO must decide what functions and responsibilities were to be given to those offices. Until a careful analysis had been made of the functions and responsibilities of the field offices it would be impossible to deal with other outstanding issues. It would be a mistake to expect the field offices to have the main function of identifying, developing and implementing programmes and projects. He did not wish to detract from the importance of field offices, but he believed that if UNIDO's programmes were to be successful all the components involved, Headquarters, field offices, recipients and donors must be involved. The responsibility of Member States should be enhanced, especially that of recipient Member States. The Secretariat could not ensure project implementation if the Member States concerned were not actively involved in the exercise as well. It might be interesting to carry out experiments with decentralization in one or two places and then continue on the basis of the results obtained. As the United Nations Secretary-General had pointed out, advantage should also be taken of the opportunities offered by the digital information revolution.

61. He did not wish to give the impression that his country was against decentralization. It was in favour of it, but UNIDO must be as realistic and careful as possible in putting it into effect. Decentralization must not be to the detriment of the Organization's programmes.

62. **Mr. LAASSEL** (Morocco) said that his delegation had studied document IDB.23/10 with interest. It believed that decentralization should be carried out by providing field offices with highly qualified personnel and sufficient financial resources to enable them to respond effectively to the expectations of the developing countries.

63. It had noted with satisfaction the decision to increase the budget for decentralization for the period 2000-2001 by some 27 per cent. That would strengthen the implementation of the integrated programmes. Morocco had, however, noted that some regional offices encountered difficulties in identifying the specific needs of each country in a large area and tended to act more as national than regional offices, perhaps as a result of communication difficulties.

64. His delegation urged the Secretariat, as a first step, to strengthen the national offices by providing them with the structures and means required to carry out their work. The process need not entail extra costs; the host countries could contribute substantially to financing the offices. It was still too early to move on to the next stage of greater decentralization and the restructuring of Headquarters; that would not only call for additional funds but would require the mobilization of a large number of Headquarters staff, who should rather be permitted to continue their work at Headquarters under stable conditions.

65. **Mr. CIENIUCH** (Poland) said that the real problem UNIDO had been facing was not the lack of effective decentralization, but budgetary constraints preventing the Organization from implementing the integrated programmes and service modules in accordance with demand. A decentralized UNIDO with stronger field offices, a weaker Headquarters and redeployed staff would face exactly the same difficulties. Increasing UNIDO's financial resources would therefore appear to be the key to upgrading the Organization's efficiency.

66. Poland had approved the concept of decentralization, but that concept had not been sufficiently elaborated as yet. It endorsed the view expressed on behalf of the European Union that a realistic and cautious approach to decentralization must prevail. It also supported the suggestion for pilot studies

within the framework of existing resources accompanied by efforts to improve the current field structure over time.

67. With regard to increasing the responsibilities and functions of the field network, he said that Investment and Technology Promotion Offices (ITPOs) should be strengthened further and more appropriately adapted to decentralization. In addition, they should be integrated, to the extent possible, into the field network.

68. **Mr. MOWOE** (Nigeria) said that, as a result of the drastic reduction in UNIDO's core budget since 1995, only limited initiatives could be undertaken in the area of decentralization. Full and effective decentralization through an increase in resources allocated could not be achieved at the present juncture. Maintaining the current field structure while making marginal improvements over time and conducting pilot studies would not yield the desired results; only additional resources could strengthen the field administration.

69. He welcomed the establishment of the Regional Industrial Development Centre in Nigeria. His Government was up to date with its financial obligations to the Centre and would continue to provide every support to ensure that the Centre continued to operate effectively.

70. **Mr. CHUNG Hae-moon** (Republic of Korea) said that the time had come for an update on the status of decentralization and field representation. In order to evaluate the overall effectiveness of the field operations, the Secretariat should carry out a detailed analysis of the current situation in the field and the contribution being made to technical cooperation delivery. The Director-General should provide additional information on his approach to decentralization. It would be essential for the Secretariat to continue close consultations with Member States before any action was taken on the issue of field representation.

71. He commended the Director-General on his efforts to make UNIDO more client-oriented and on his success in tapping a wide range of funding resources. In that connection, he welcomed the decision of the Global Environment Facility Council to grant UNIDO expanded opportunities. Having expressed appreciation of the Secretariat's efforts to deliver better integrated programmes to developing countries, he emphasized the importance of UNIDO's global forum activities and achievements.

72. Although the Republic of Korea was pleased to note that UNIDO was in better financial shape than it had been in previous years, further efforts should be made to ensure that it was able to meet the challenges of the future. Accordingly, he strongly urged Member States to pay their arrears and to make a concerted effort to pay their annual contributions in full and on time. The Secretariat should do its utmost to settle outstanding financial issues with Member States. His Government remained committed to helping UNIDO to encourage the industrial development of developing countries. The Organization's efforts to become more responsive, decentralized and goal-oriented would increase its effectiveness in fighting poverty and promoting growth in the developing world.

73. **Mr. HOSSEINI** (Islamic Republic of Iran) said that, following the preparation and approval of many integrated programmes, an explanation for further changes in policies would be needed and expected.

74. **Mr. RAMÍREZ GASTON** (Peru) said that the process of strengthening field offices should be carried out without affecting the administrative capacity of Headquarters and taking into account the availability of resources, so that it would not jeopardize the implementation of the technical cooperation programmes. UNIDO should adopt a strategy of gradual decentralization in close consultation with Member States.

75. **Mr. SUN Yongfa** (China) welcomed the efforts being made to strengthen the field offices and hoped that the Secretariat would carry out feasibility and pilot studies to ensure that field representation would be strengthened further, in the light of the availability of human and financial resources, without weakening any of UNIDO's areas of activity.

76. **Mr. KAMOHARA** (Japan) said that, while Japan fully supported the efforts to strengthen field representation and to transform the structure of the Organization, it was high time to improve the quality of projects, leading to the effective implementation of technical cooperation and a better assessment of UNIDO's activities. Although the decentralization process would contribute to the achievement of those objectives, it would be very difficult to complete the process all at once, owing to limited human and financial resources. A gradual approach should therefore be taken and Japan welcomed the Secretariat's intention to launch a pilot project. It would also welcome an assessment of the decentralization process.

77. **Mr. TANGSANGA** (Thailand) said that the regional office in Bangkok had only one Professional staff member in addition to the Head of the office. Although he recognized the difficulties faced by international organizations, he urged the Director-General to give due consideration to allocating the resources necessary to enable the regional office in Bangkok to discharge its duties effectively. Regarding the statement in document IDB.23/10 that local contributions in support of country offices had not

measured up to expectations, Thailand had, for its part, fully met its commitments in connection with the establishment and operation of the regional office in Bangkok.

78. **Ms. GARDEZI** (Pakistan), having noted that strengthened field offices would become more involved in programme formulation and development and in project management and implementation, reiterated her country's concern about the lack of funds available to strengthen the field network. Field offices should be given the financial and human resources necessary to implement UNIDO's programmes effectively.

79. **Mr. TAKIZAWA** (Secretariat), welcoming the comments and suggestions that had been put forward, said that there appeared to be a consensus that UNIDO should pursue its efforts to decentralize, but should do so gradually, within resources available.

80. Responding to some of the points raised, he said that decentralization would not undermine the capacity and functions of Headquarters; it would help to strengthen Headquarters itself as well as the field offices. The Secretariat agreed that an assessment should be made of the performance of the field offices. It was already working on a progress report and an action plan which would, in due course, be submitted to Member States for approval.

81. **Mr. MAGARIÑOS** (Director-General) thanked the Board Members for their comments, which would be duly taken into account in the forthcoming consultations with Member States.

The meeting rose at 6.30 p.m.